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Turkey

Cotton and Products Annual

Turkey Cotton and Products Annual 2011

Approved By:

Rachel Nelson

Prepared By:

Ibrahim Sirtioglu

Report Highlights:

Turkish cotton area and production are expected to increase about thirty percent and reach 410,000 hectares and 600,000 MT (2.7 million bales) in MY 2011. Fueled by the increase in textile exports and new investments, domestic consumption is also projected to increase to 1.35 MMT (6.2 Million bales). Total imports during the first five months of MY 2010 were just 287,000 MT (1.3 million bales) due to the availability of local cotton and high world prices. The United States continued as the leading supplier, providing about half of Turkey's imports.

Executive Summary:

Turkish cotton area and production are projected to increase about thirty percent and reach 410,000 hectares and 600,000 MT (2.7 million bales) in MY 2011. Domestic cotton production and area were 320,000 hectares and 460,000 MT (2.06 million bales) in MY 2010. Record high international and local cotton prices and increasing demand of local textile industry were the reasons for the increase.

Overall yields have been improving in recent years, because of modern equipment and larger fields. Increased utilization of certified seeds, estimated to be about 85 percent of the total seeds used, also helped increase yields. Mechanical harvesting has reportedly helped increase ginning yields as well. It is reported that the sudden rush to plant cotton this year caused a scarcity of quality cotton seeds for planting and increased local seed prices. Some farmers reportedly purchased seeds that they could find, even farm produced ones, rather than the ones that perform best in their regions. This is expected to affect yields adversely.

The Turkish government announced an initiative in 2008 to allocate about US\$12 billion in five years to speed up the GAP project to build dams, irrigation channels and other infrastructure in the Southeast Anatolian region which is supposed to irrigate an additional 780,000 hectares of land by 2012. Although some parts of the project will be postponed to 2013, funds were allocated to the project in 2010 as committed. Cotton planting is expected to increase significantly following the end of this project.

The Ministry of Foreign Trade had undertaken a program to establish HVI machine classification of Turkish cotton. They plan to create facilities furnished with HVI machines in Izmir, Urfa and Adana. The initial plan was to start the project this fall but due to budget problems the new system is expected to be functional in five years. When active, the system will collect data for each bale into a national database. The new system will facilitate production support payments and trading of cotton in the futures market, both of which require quality assessments. In April 2009, USDA and the Cotton Council arranged for training of a technical delegation at the USDA/AMS facility in Memphis.

Turkish textile and apparel total exports amounted to US\$ 21.1 billion in 2010, up from 18.8 billion in 2009. The sharp increase in EU demand was the reason for the increase in total textile exports. The growth trend continued in January 2011 as well and ready to wear items and textile exports were up about 13 percent and 26 percent respectively compared to the same period the year before. Increased domestic consumption and cost of production in leading competitors such as China and India has made Turkish products more competitive in export markets.

The textile and garment industries are crucial to Turkey's economy, accounting for 8 percent of its GDP, 16 percent of its total industrial production and about 10 percent of its manufacturing jobs. Turkey is the second largest apparel and textile supplier to the EU after China, and is the eight largest textile exporter and fourth largest apparel exporter in the world.

Over the years the strength of the Turkish Lira against the major foreign currencies has facilitated imports of low cost fabric and garments and hurt domestic production. In an effort to protect local

production, the Turkish government announced on March 25, 2011 a new price investigation on imports of fabric and garments and issued a temporary import duty. Accordingly, imports of fabric and garment will be subject to twenty percent and thirty percent import duty, respectively, starting from July 2011 and continuing during the investigation period of nine months. The new regulation was met with great enthusiasm among the Turkish garment producers who have been trying to hold on to their markets, domestically and internationally, by emphasizing their advantage in shipping times and focusing on fashion and design, particularly in Europe.

The United States continued to be the leading cotton supplier to the Turkish market, supplying fifty percent during MY 2009. The U.S. market share was forty percent during the first five months of the MY 2010 but is expected go up to more than sixty percent at the end of the marketing year. Total cotton imports from the U.S. in MY 2010 are expected to reach 500,000 MT (2.3 million bales). Turkey is expected to remain the second-largest market for U.S. cotton exports due to insufficient local supplies and the availability of GSM-102 credit guarantee program. During the first allotment of the FY 2011 GSM program, total cotton registrations reached US\$150 million and Turkish mills are waiting to register more cotton during the second allotment of the program when announced.

Turkey cotton exports were about to 10,000 MT (46,000 bales) in MY 2009, about the same as the previous year. About sixty percent of the exports were to the Mersin Free Trade Zone, some of which may have been imported back into the country. Exports during the first five months of MY 2010 were only about 2,100 MT (9,600 bales) and are projected to reach only 5,000 MT due to high local demand.

Commodities:

Cotton

Production:

In MY 2011 cotton planting area and production is projected to increase about thirty percent and reach 410,000 hectares and 600,000 MT (2.75 million bales). Record high international and domestic cotton prices increased hopes of higher returns in spite of the uncertainty about the production bonus that will be given. Farmers in all cotton growing regions preferred to plant cotton in place of wheat and corn. Excessive rains in the GAP and Cukurova regions prevented wheat planting last fall and these fields are expected to be planted with cotton as well. Field and ginning yield increases in recent years also persuaded farmers to increase cotton planting. Despite the projected increase, domestic production will only meet about forty percent of domestic consumption, and equals only about two thirds of MY 2006 production.

In 2010 local cotton prices moved along with world prices and increased more than one hundred percent. Local Standard 1 Aegean cotton was US\$ 1.8 per kilogram in January 2010 went up to US\$ 3.60 per kilogram in December 2010. This cotton is presently priced at US\$ 4.84 per kilogram.

Almost all the cotton growing regions have received adequate rains and irrigation water is reported to be sufficient in all regions. But in spite of the availability of irrigation water, higher prices for inputs such as seed, fertilizer, fuel and electricity have cotton farmers concerned. A lack of adequate high quality seeds caused problems this year. Farmers reportedly planted seeds that they could find rather than the best ones for their region, which might adversely affect yields.

Turkey was the world leader for organic cotton production but increasing world production has lowered the margins and domestic production has declined in recent years.

MY 2010 production is estimated about 10,000 MT compared to 23,000 MT in MY 2005

GOT announced a production bonus for the commodities under the program early this year, however farmers were disappointed that the seed cotton production bonus was not included, and it was stated that this rate would be set at a later date. According to the government decision, it is yet to be determined but will be no more than the rate of the previous year, which was TL 0.42 per kilogram. Some other commodities such as soybeans and canola received increases. Farmers' representatives argued that a TL 0.52 per kilogram bonus would have increased planting further this year.

Yields are improving because the farmers that continue to plant cotton are the most efficient, experienced, well-equipped and have larger fields. Therefore, better planting techniques and economies of scale are helping them to achieve higher yields. An increase in the use of certified seeds over the years also helped increase yields. The increase in certified seed use is driven by a ten percent higher production bonus for certified seed users. It is now calculated that 85 percent of the seeds used for cotton planting are certified.

Harran is the heart of the cotton growing area in the GAP region, where 140,000 hectares are under irrigation. An estimated 15,000 hectares of land have been affected by salt accumulation caused by poor irrigation practices. However, drainage channels were built to help prevent harm to the cotton fields from rising underground water levels due to excessive irrigation. GOT also provides technical and financial assistance to farmers to build modern irrigation systems.

Pests, including budworm and bollworm, are a problem for cotton producers, particularly last year in the Aegean and Cukurova regions. Therefore, the government ban on aerial pesticide spraying in May 2006 harmed producers in the region. According to growers, there is no other cost-effective way to control infestations on conventional varieties. Turkey strictly prohibits planting of all biotech crops, including Bt insect-resistant cotton.

Consumption:

Domestic cotton consumption in MY 2010 is expected to be about 1.25 MMT (5.7 million bales). Despite the increase in industry demand, record high cotton prices had adversely affecting cotton usage. Mills are reportedly searching for ways to cut production costs by producing finer counts, hence using less cotton. Also, some mills are utilizing more man-made fiber in their blends. Additionally, some mills are planning to utilize their stocks and seize operations towards the end of the season until the new cotton crop with lower prices is available.

The textile industry continues to be one of the most important sectors for the Turkish economy, accounting for 8 percent of GNP, 16 percent of industrial employment and 18 percent of total exports. Investments by the Turkish textile industry since 1985 are estimated at about US\$ 87 billion. Turkish mills that benefited from high demand in last two years have been investing in new machinery and increasing their capacity. It is estimated that about 1.5 million new spindles will be added by the end of CY 2011. The new investments will help the industry recover some capacity lost during the 2008 economic crises, and will lead to lower production costs. Domestic consumption is projected to increase to 1.35 MMT (6.2 million bales) in MY 2011 with the assumption of a decline in cotton prices and utilization of the new production capacity. With new investments, production capacity is estimated to reach 6.5 million spindles and 650,000 rotors in Turkey. Turkish textile exporters have the advantage of faster order response times and higher quality than their competitors.

According to the Exporter's Union data ready-to-wear item and textile exports were up 10 percent and 18.4 percent respectively in 2010 reaching US\$ 14.6 billion and US\$ 6.5 billion. Exports of both categories increased significantly during January 2011 compared to the same period a year ago. Textile exports were up about twenty-six percent and ready-to-wear items about thirteen percent. The overall share of textiles and products in total exports was 18.8 percent. The European Union continued to be the leading market for Turkish textile exports in 2010, constituting seventy percent of exports. Exports to the United States were up in 2010 after many years of decline, reaching US\$ 635 million.

The Turkish textile industry experienced a boom in demand during 2010 led by EU origin orders. Increases in domestic demand and production costs had reportedly caused Chinese and Indian producers to focus more on their home markets and adversely affected their focus on international markets. Trade figures available indicate that Turkish textiles and ready-to-wear item exports were up significantly during 2010. The high quality of Turkish textile products, geographical proximity, fast response time, and improved design all contributed to the increase in exports. Additionally, high world cotton prices increased the cost of production for Far-eastern producers who buy and sell in US dollars. The Turkish textile industry however buys its raw materials in US dollars and sells to EU member countries in Euros. Also, Turkish producers were covered by long term cotton purchasing contracts, so they could be slower in increasing prices. A new temporary import duty on fabric and garments, twenty percent and thirty percent respectively, will also support domestic consumption of cotton in MY 2011.

Domestic cotton is mainly sold directly to mills and the remainder is traded on a spot basis at the exchange in Izmir. The Izmir exchange also trades some cotton from other regions and countries. There are smaller spot markets in Adana and in the Southeast.

The new futures market in Izmir has been in operation for a few years and had reached significant trading volumes for products other than cotton. The futures market administration (VOB) is working on creating a legal framework and necessary infrastructure such as bonded storage facilities. The VOP

administration has expressed a desire to finalize preparations and start trading cotton as early as next October.

Trade:

Total Turkish MY 2009 cotton imports reached 956,000 MT (4.4 Million bales), up more than fifty percent compared to the year before. The U.S. supplied about half of total imports (487,000 MT). Greece (150,000 MT), Turkmenistan (72,000 MT) and India (62,000 MT) were the other leading suppliers.

Imports during the first five months of MY 2010 were relatively low, at 287,000 MT (1.3 million bales), due to the availability of local cotton and high world prices. The United States supplied about forty percent, or 113,000 MT. Total imports are expected to reach 750,000 MT (3.4 million bales) at the end of the marketing year. U.S. exports to Turkey are expected to increase further during the second half of the marketing year. The U.S. registered 253,000 MT (1.1 MB) of cotton sales to Turkey during the first seven months of the marketing year.

The Export Credit Guarantee Program (GSM-102) continues to play an important role in facilitating sales of U.S. cotton and maintaining market share. Cotton imports under the program in FY 2010 were about US\$100 million. During the first allotment of FY 2011 total cotton registrations reached US\$150 million and Turkish mills are waiting to register more cotton during the second allotment of the program when announced.

Turkey also imported 150,000 MT of cotton yarn and 713 million M² of fabric in 2010. Imports of fabric were up about thirty-seven percent compared to the previous year, and yarn imports were up fifty-five percent. Increased imports in both categories were due to stronger exports and domestic consumption. CIS (Uzbekistan, Turkmenistan) and South Asian countries (India, Pakistan, and China) were the main suppliers for both items.

Turkish cotton exports were 10,000 MT (46,000 bales) in MY 2009, about the same as the year before. Exports during the first five months of MY 2010 were about 2,000 MT (4,600 bales). Turkey also exports about 20,000 MT (92,000 bales) of hydrophilic cotton annually for medical use; this is not listed in the trade matrix.

Additionally, Turkey exported 96,000 MT of cotton yarn and 336 million M² of fabric in CY 2010.

While exports of cotton yarn were down about eight percent, fabric exports were up about five percent. The EU continued to be the leading export market for Turkish cotton yarn and fabric.

Turkey is expected to remain a net cotton importer for years to come due to the large textile industrial capacity, low domestic cotton production and the slow pace of development of the GAP project.

Production Policy:

The Turkish government spent more than US\$ 22 billion over the past three decades on an irrigation and agricultural extension project in Southeast Anatolia, called the GAP project. When finished around 1.7 million hectares of land will be irrigated and a total of 22 dams will be completed. So far about seventy

four percent of the hydro-electric projects and fifteen percent of the irrigation projects are completed. In 2008 the government promised to allocate US\$ 12 billion in five years for dams, irrigation and infrastructure in the region. In 2009 and 2010 the government allocated funds for the project for irrigation projects. If actually realized, a total of 1.04 million hectares of land will be irrigated by 2013, which could eventually increase cotton production in the region.

Most of Turkey's cotton is planted between mid-March and mid-May and harvested between mid-August to the end of November. The crop is grown in three main areas; the Aegean region, Cukurova and Southeastern Anatolia. Small amounts of cotton are also produced around Antalya and Antakya.

The most popular varieties in the Aegean region are "Carmen" and "Nazilli 84"; in Cukurova are "Delta Pine-SG 125", and "BA 119"; and in the Southeast are "Stone Mill" and "Diyarbakir Gold". Aegean cotton is considered the best quality and is preferred by textile producers. Aegean cotton is longer staple (1 5/32") than cotton from Cukurova (1 3/32") or the GAP region (1 1/8), although the quality of cotton has improved significantly in the GAP region due to improved seed quality.

The total number of harvesters in Turkey is estimated at 440. While the majority of the new harvesters are modern, about 100 are old tractor-pulled harvesters. The number of harvesters owned by farmers is gradually increasing in recent years and rental harvesters are also now available.

Domestic regulations require that the entire cotton harvest be ginned before the end of the following April. All of Turkey's estimated 500 gins are privately owned. The majority of the gins in the Aegean region are roller gins, more suitable for longer staple cotton, while about half of the gins in Cukurova and the Southeast are roller gins and half are saw gins. The recent increase in machine harvesting has triggered construction of new saw gins. The agricultural cooperatives Taris and Cukobirlik have invested in new saw gins to meet the needs of their members.

The ginning rate averages about 41 percent in the Aegean region, about 39 percent in the GAP region and 38 percent in Cukurova. Ginners generally purchase seed cotton directly from growers. Lint generally is graded and certified by government-regulated inspectors at the gins, using a green card system. The government has invested in a project to introduce a mechanized HVI testing system and has sent technicians to the United States for training at USDA's Memphis facility. Accordingly, there will be HVI measurement centers in Izmir, Adana and Urfa and Turkey will eventually move to the HVI testing system in about five years.

Import Trade Matrix

Turkey, Cotton Imports			
Units: Metric tons			
Time Period	Aug/July MY 2009		Aug/Dec MY 2010
Imports from:			
U.S.	487,236	U.S.	113,153
Others			
Greece	150,805	Greece	76,141
Turkmenistan	722,66	Turkmenistan	36,753
India	61,649	India	3,232
Uzbekistan	33,291	Uzbekistan	5,307

Syria	58,756	Syria	1,988
Brazil	10,009	Brazil	24,241
Pakistan	9,198	Egypt	1,707
Azerbaijan	10,239	Argentina	2,081
Burkina Faso	5,563	Burkina Faso	2,086
Tajikistan	21,006	Tajikistan	12,349
Total of Others	432,782		165,885
Others not listed	36,664		7,578
Grand Total	956,682		286,616

Turkey, Cotton Imports			
Units: Bales			
Time Period	Aug/July MY 2009		Aug/Dec MY 2010
Imports for:			
U.S.	2236413	U.S.	519372
Others			
Greece	692,195	Greece	349,487
Turkmenistan	331,700	Turkmenistan	168,696
India	282,968	India	14,835
Uzbekistan	152,805	Uzbekistan	24,359
Syria	269,690	Syria	9,125
Brazil	45,941	Brazil	111,266
Pakistan	42,218	Egypt	7,835
Azerbaijan	46,997	Argentina	9,552
Burkina Faso	25,534	Burkina Faso	9,575
Tajikistan	96,417	Tajikistan	56,682
Total of Others	1,986,465		761,412
Others not listed	168,282		34,783
Grand Total	4,391,170		1,315,567

Production, Supply and Demand Data Statistics:

Turkey Cotton, Bales

Cotton Turkey	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	280	280	375	320		410
Beginning Stocks	1,654	1,136	1,928	1,166		960
Production	1,750	1,744	2,250	2,111		2,754
Imports	4,394	4,391	3,100	3,442		3,672
MY Imports from U.S.	2,290	2,236	0	2,295		2,065
Total Supply	7,798	7,271	7,278	6,719		7,386
Exports	150	46	150	23		46

Use	5,800	6,059	5,900	5,736		6,196
Loss	-80	0	-80			0
Total Dom. Cons.	5,720	6,059	5,820	5,736		6,196
Ending Stocks	1,928	1,166	1,308	960		1,144
Total Distribution	7,798	7,271	7,278	6,719		7,386
Stock to Use %	32	19	22	17		18
Yield	1,361.	1,356.	1,306.	1,436.		1,462.
TS=TD		0		0		0

Turkey Cotton, Hectares

PSD Table hectares						
Country	Turkey					
Commodity	Cotton				(HECTARES)(MT)	
	2009	Revised	2010	Estimate	2011	Forecast
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
Market Year Begin		Aug-09		Aug-10		11-Aug
Area Planted	280000	280000	320000	320000	0	410000
Area Harvested	280000	280000	320000	320000	0	410000
Beginning Stocks	247433	247433	254068	254068	0	209068
Production	380000	380000	460000	460000	0	600000
Imports	956682	956682	775000	750000	0	800000
MY Imp. from U.S.	487236	487236	475000	500000	0	450000
TOTAL SUPPLY	1584115	1584115	1489068	1464068	0	1609068
Exports	10047	10047	25000	5000	0	10000
USE Dom. Consumption	1320000	1320000	1200000	1250000	0	1350000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1320000	1320000	1200000	1250000	0	1350000
Ending Stocks	254068	254068	264068	209068	0	249068
TOTAL DISTRIBUTION	1584115	1584115	1489068	1464068	0	1609068